

# Accounting professionalization amidst alternating state ideology in Ethiopia

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## Abstract

### **Purpose:**

This paper examines accounting and auditing professionalization processes in the context of alternating state ideology in Ethiopia over the past century to identify how changes in the politico-economic milieu impacted on these processes.

### **Design/methodology/approach:**

The study used archival evidence and oral history of nascent indigenous accounting and auditing associations in Ethiopia. It employed a combination of functionalist, interactionist, and critical perspectives to interpret phenomena in the professionalization processes. Emerging themes are further enriched by interpreting them in light of results of similar studies in other developing countries.

### **Findings:**

The study portrays, despite a lack of adequate impetus to establish viable indigenous accounting bodies, the professionization dynamics exhibited different patterns in three epochs in which Ethiopia had alternating state ideologies. It epitomizes how the alternation of state ideology between capitalism and communism reflected on the emphasis to accounting technologies as conceptualization in the capitalist vis-à-vis communist economic contexts. State role in the supply of accounting labour, interactions between the state and global forces, and inadequate 'signals of movement' for indigenous accounting profession as well as the role of imported accountancy expertise as a fallback are identified as key themes in the dynamics.

### **Originality/value:**

Conducted in a developing economic setting that is characterized by alternating state ideology, the study contributes to understanding of accounting profession's global configuration and elucidates how state ideology and the ensuing politico-economic context could influence accounting professionalization processes.

### **Paper type:** Research paper

### **Keywords:**

*Ethiopia; accounting profession; functionalist perspective; interactionist perspective; critical perspective; exclusion and closure; state ideology*

### **Acknowledgements:**

We thank the Ethiopian Federal Ministry of Trade and Industry for providing financial support for this study. We also thank reviewers and Accounting History Forum Session participants of AFAANZ (2009) conference (Adelaide 5-7 July 2009) for their helpful feedback on an earlier version of the paper.

## INTRODUCTION

Accounting professionalization processes appear dependent upon a diverse and complex set of political, economic, and social contexts in which they take place. This process has been examined in different settings from the functionalist, interactionist and/or critical perspectives. The functionalist view argues that the crux of professionalization rests on the profession's ability to produce professionals, with esoteric knowledge and skills, who are to serve society in an altruistic fashion. On the other hand, the interactionist view maintains that professions are interest groups that attempt to persuade society to seek their services to defend and further the interests of their members. More recently studies have taken a critical perspective to examine professionalization processes within the context of state-profession dynamics and professions' attempts for collective social mobility within a set of power relations. According to this perspective, professions define and defend the interests of their members by creating professional monopoly through a process of closure and exclusion to prevent non-members from accessing professional practice (Sian 2006; Uche 2002; Walker 1991, 2004; Willmott 1986; Yapa 1999). Carnegie and Edwards (2001) underscore the formation of a professional association as an important point in the professionalization process and highlighted the pre- and post-association formation 'signals of movement' that help establish and then maintain closure.

The professionalization literature also shows that the development of accounting profession as viewed in a Western context is closely tied to the rise and development of industrial society (Hoskin & Macve 1986; Sikka & Willmott 1995; Willmott 1986). This notion suggests that societal expectations from the accounting profession and the market for accounting labor could exhibit varied forms depending on the level of industrialization of a society. Although accounting professionalization in Western societies has generally been well documented (Hao 1999), such literature on developing countries appears limited (Uche 2002). Some studies on the topic in developing countries, e.g., in Nigeria (Uche 2002), Kenya (Sian 2006), and Brunei (Yapa 1999) have contributed useful insights to the literature. Since globalization and harmonization are a top priority in accounting nowadays (Chua & Poullaos 2002), studies of accounting professionalization in a diverse range of contexts across the globe could contribute useful insights to accounting research and practice.

This is because the professionalization process and the results of such process tend to be shaped by the whole set of contextual dynamics, which in turn are varied (Carnegie & Edwards 2001). For instance, whilst Western European societies have typically followed the Marxian developmental stages of slave society, feudalism and capitalism (in that order), many developing countries have skipped or combined some of these stages. Russia converted from a primarily feudal society in the age of Tolstoy and Dostoyevsky in the second half of the 19<sup>th</sup> century to Stalinism in the 1930s. Also, many developing countries have had Stalinist, communist and/or Asiatic modes of production at one time or another (Brown 1974; Wittfogel 1970). Marx referred once to the "Asiatic mode of production" where the despotic paid officials of the state constitute the ruling class; Marx and Engels referred to Russia in the 1850s as being "semi-Asiatic" (Brown 1974, p. 27; Wittfogel 1970, p. 375) whilst in 1905 Lenin claimed that at that time Russia had developed only a restricted Asiatic capitalism (Brown 1974, p. 27; Wittfogel 1970, p. 394).<sup>1</sup> Military dictatorships have also been a characteristic of sub-Saharan African countries (Uche

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<sup>1</sup> According to Wittfogel (1970 p. 438, cited in Brown 1974, p. 27), "Lenin himself at the close of his life believed that Russia was well on the way to an Asiatic restoration".

2002). The countries of Eastern Europe, by and large, are still in transition from communism to fully-fledged market capitalism. As a result of this diverse nature of the politic-economic context of accounting professionalization, the Western model may not fully explain the development of accounting in various settings (Seal, Sucher & Zelenka 1996).

Besides enhancing our understanding of the accounting profession's global configuration, therefore, accounting professionalization studies in varied settings could offer additional insights into how the social, economic, and political factors inherent in the prevailing mode(s) of production enhance or inhibit the processes. Examining accounting professionalization in non-Western economies could further elucidate how the profession is 'imported' in such settings and highlight issues associated with such phenomena (West 1995). Such studies could provide useful insights especially when viewed in respect of transnational competition of professions (Dezalay 1995; Yapa 2006).

The politico-economic setting and the dominant mode of production tend to be linked with state ideology. The position of nation's economy in the continuum of industrializations is another dominant scene setter to which several concepts in the professionalization dynamics are related. For instance, the level of development of the private sector and the extent of economic activity undertaken by state-owned enterprises bears implications to the level of development of supply and demand for accounting labor (Yapa 1999). Therefore, in developing countries like Ethiopia where state ideology has been alternating between capitalism and communism, state-owned enterprises are undertaking the majority of economic activity (World Bank 2007), and the state has the mechanism for the supply of accounting labor, examining the dynamics of accounting professionalization could arguably provide valuable insights.

To that end, this study aims to examine the development of accounting and auditing as well as major professionalization moves in Ethiopia over the past century. Ethiopia is an East African country of about 74 million people as of 2007 (2007 census). The Country exports mainly coffee, gold, leather products, beeswax, canned vegetables, tea, sugar, cotton, oilseeds, and fresh flowers; and it imports processed food, petroleum and related products, chemicals, machinery, civil and military aircraft, transport and industrial capital goods, agricultural machinery and equipment, and motor vehicles (National Bank of Ethiopia 2006; Nations Encyclopedia 2004). The Nation was a developing market-oriented economy until 1974, when a communist government took power and proclaimed a centrally planned economy. This change led to nationalization of private companies and establishment of other state-owned enterprises<sup>2</sup> (SOEs). In 1991, the present Government came into power, proclaimed a free market economic system, and privatized a number of state-owned enterprises (SOEs). It also granted enhanced management autonomy to the remaining SOEs by Proclamation No. 25/1992 (Government of Ethiopia 1992) and SOEs are still dominant in the economy (World Bank 2007).

Ethiopia is a member of the Common Market for Eastern and Southern Africa (Nations Encyclopedia 2004) and lodged an application for World Trade Organization accession in February 2003 (World Trade Organization 2007). The nation receives World Bank and IMF loans, grants, and economic policy reform advice in managing its development. The country's GDP and per capita GDP have both improved since 1991, although external debt has also remained high (Gebrekidan 2005). In this context, a strong accounting profession is imperative because the global view is that accounting assists the national development process (Asechemie 1997; Enthoven 1965; Wallace 1999; Willmott 1986). Studies in the setting of Western

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<sup>2</sup> SOEs are wholly government-owned, for-profit organizations in Ethiopia that operate as per Public Enterprise Proclamation No. 25/1992.

economies support this notion. For instance, the Marxist accounting historian Bryer (2005; 2006a) has argued that accounting played a central role in the British industrial revolution. Bryer (2006b) also maintains that the accounting function is today a key element in labor process control.

Against this background, this study examines the accounting and auditing professionalization processes in Ethiopia over the past century to identify how changes in the politico-economic milieu impacted on such processes. Data was mainly collected through a review of archival evidence. Relevant laws, proclamations, government regulatory requirements, professional association publications, and published as well as unpublished academic materials were reviewed. This was then enriched by oral history (see Carnegie & Napier 1996; Parker 1994, 1997) of nascent accounting and auditing associations in Ethiopia. Specifically, loosely structured interviews were conducted with leaders and selected members of three accounting and auditing professional associations. This procedure helped consider the views of key persons that have participated in the phenomena of interest. The study is informed by the sociology of professions literature. A combination of functionalist, interactionist, and critical perspectives is employed to interpret the dynamics of professionalization processes. The themes are further enriched by interpreting the results in light of results of similar studies in other English-speaking countries.

The next section outlines the perspectives adopted in prior research to study professionalization. This is followed by a historical sketch of the development of accounting and auditing in Ethiopia. A discussion of accounting professionalization processes in the Country from the early-1900s through to the 2000s is infused throughout this historical account. An overview of current developments and their implications for accounting professionalization is then presented; and finally, concluding remarks are made.

## **APPROACHES TO THE STUDY OF PROFESSIONS**

To explain the process of accounting professionalization, prior studies have employed functionalist, interactionist and/or critical perspectives. Willmott (1986) indicates that the functionalist and interactionist perspectives were dominant before the 1970s, whereas the critical perspective has dominated afterwards. Under the functionalist view, the crux of professionalization was regarded to rest on the profession's ability to produce the right professional with the competence as well as the commitment to serve society with altruistic motives. Thus, according to this paradigm, the presence of specialized knowledge of members of the profession that enables them to provide honorable, high-skill service to society has been considered vital for the recognition of professions. The interactionist perspective views professional associations as interest groups that defend the interest of their members by convincing the community to grant them the right status in society and to seek their services. Thus, under this view professionalization is a result of symbolic interactions where meanings are negotiated for professions to be accorded the desired image in society (Sian 2006; Uche 2002; Walker 2004; Willmott 1986; Yapa 1999).

Recently, studies on professionalization have taken a critical perspective (Chua & Poullaos 1998; Sian 2007; Walker & Shackleton 1996). These studies employed the sociological theories of Max Weber and/or Karl Marx to examine the professionalization processes within the wider context of power relations. Significantly, Willmott (1986) argues that this perspective extends the interactionist views by subjecting the professionalization process into a broader context of power structures where the state, the public and other stakeholders of the profession

facilitate or constrain the professionalization process. From the critical standpoint, professions attempt to attain collective social mobility through exclusion and closure to restrict the supply of professional services to niche markets to their members. The exercise of closure involves lots of dynamics with powerful others including state and other components of society. For example, professions operationalize the concept of “furthering the interest of members” by creating professional monopoly with the help of legislations to that end; thus state-profession dynamics set in (Sian 2006; Uche 2002; Willmott 1986; Yapa 1999).

These perspectives on professionalization have been employed in the study of the development of the accounting and auditing professions in the different empirical settings of various developing countries. Examples include studies of Uche (2002) on Nigeria; Sian (2006; 2007) on Kenya, Yapa (1999) on Brunei, and Seal, Sucher and Zelenka (1996) on the Czech Republic. These studies indicate the diverse forms in which accounting professionalization can and does take place. It is considered apt to further examine accounting professionalization in view of the wider social, political and economic context in which it takes place (Goddard 2002). As the development of accounting has been considered linked to the development of capitalism in the West (Sikka & Willmott 1995), examining context factors such as state ideology, the structure of an economy; the involvement of the state in economic activity; the role of the state in the market for accounting labor, and the interaction between state and global forces, may offer additional insights to the literature. With this understanding, following Willmott (1986) and Chua and Sinclair (1994), this study employs a combination of the three perspectives on professionalization to examine accounting professionalization processes in Ethiopia.

## **ACCOUNTING PROFESSIONALIZATION IN ETHIOPIA**

The process of accounting professionalization in Ethiopia appears to exhibit distinct patterns during the three epochs when the state followed capitalist-oriented (pre 1974), communist (1974 through to 1991), and then capitalist-oriented (1991 onwards) ideologies. This section examines the accounting and auditing professionalization processes in the Country during the past century. In doing so, it employs a review of relevant archival evidence supported by results of interviews with selected members and leaders of professional associations. The next three subsections discuss this process in the three chronological periods, i.e., pre-1974, 1974 to 1991, and post-1991 respectively.

### **Pre-1974**

Accounting and its key concepts appear to have had a long history in Ethiopia. Kinfu (1990) provides an account of the development of accounting in the Country and argues that the keeping of records in various forms might have existed in ancient Ethiopia as early as the 3<sup>rd</sup> century A.D. during the Axumite Kingdom of the Nation. The start of modern accounting in the country, nevertheless, is traced to the beginning of the 20<sup>th</sup> century. According to Kinfu, the keeping of formal records of government activities started in the 1900s when Emperor Menelik established Finance and *Gauda* (meaning treasury) Ministry which was to keep records of the King’s treasury. Kinfu also indicates that modern financial accounting in the private sector started in Ethiopia in 1905 when the Bank of Abyssinia was established. The bank was established as a branch of the Bank of Egypt, which was in turn administered under the British financial system. Kinfu points out that, despite Italian and French involvement in the affairs of the Bank of Abyssinia, the British citizens controlled its administration. As a result, usage of

British accounting terminology, financial reporting requirements and personnel training left their footprints. This observation lends support to Frank's (1979) classification of Ethiopian financial reporting practices mainly under the British Commonwealth model<sup>3</sup>, despite the Frank's indication that Ethiopian accounting was also not too far removed from the Latin American model.

In the government sector, a commission of trade inspectors was established by government regulation in 1917 to undertake monitoring of trade and customs in the country. The inspectors were required to report their 'negative' and 'positive' findings on (1990, p. 193):

- a) income raised and amounts expended on maintenance (consumption needs);
- b) employees who did little work, but have much expended on their maintenance (consumption needs);
- c) those who worked hard and brought much income with little expenditure on their maintenance;
- d) the period of service of an employee and the type of service he [sic] rendered;
- e) ways and means of minimizing cost by folding jobs to be performed by few employees;
- f) suggestions for improving departments whose expenditures were too high relative to the income they generated;
- g) existence of proper and sufficient top executive authorization for all types of expenditures; and
- h) observing that surplus (more than necessary) employees were placed in market places and check-points.

It is apparent from the foregoing quote that performance auditing in a rudimentary sense was started for the government system of Ethiopia in the early 20<sup>th</sup> century. Kinfu (1990) explains that the contribution of foreign advisors to the kings of Ethiopia during the period from the 1890s through to the 1970s led to the issuance of government regulations and proclamations. Some of the proclamations and regulations continue to define or at least strongly influence the legal basis of accounting and audit practice in Ethiopia to this date. Examples include the 1960 Commercial Code of Ethiopia (Government of Ethiopia 1960), the Audit Commission Proclamation of 1944 (which was the foundation for the Auditor General proclamation of 1961), and the Audit Service Corporation (ASC) Proclamation of 1977 (Government of Ethiopia 1977).

In discussing the contribution of foreign advisors to the development of accounting in Ethiopia, Kinfu (1990) considers as initial contributions the role of consultants during the construction of the Ethio-Djibouti railway in the 1890s and of the legal, military, and foreign affairs advisers in the 1930s. The author then attributes subsequent developments of accounting from 1934 to the early-1970s to the Anglo-American legal and financial advisors to Emperor Haile Silassie I (1928-1974). The first substantial development during this period was the issuance of Ministry of Finance directives in 1942 (Argaw 2000a; Kinfu 1990; Kinfu, Negash & Merissa 1981). This was followed by the formation of the Audit Commission by Proclamation No. 69/1944 to undertake external audit of accounts of the Ministry of Finance (Government of Ethiopia 1944), which was subsequently mandated to conduct external audit of other budgetary institutions as well. This marks the start of today's Office of the Federal Auditor General of Ethiopia (OFAG), which, amongst other duties, monitors and regulates the accounting and auditing profession in the country.

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<sup>3</sup> Other countries in the same category include Australia, Bahamas, Eire, Fiji, Jamaica, New Zealand, Rhodesia, Singapore, South Africa, Trinidad & Tobago, and United Kingdom

In about the same time frame, the Ethiopian Highway Authority and Ethiopian Airlines were established. In addition, the Ethiopian Telecommunications Corporation and the Ethiopian Electric Light and Power Authority became autonomous state-owned enterprises. These phenomena led to involvement of foreign companies as partners, financiers or consultants to the Ethiopian state-owned enterprises. Consequently, internal audit was introduced in these enterprises with a view to strengthening internal controls (Kinfu 1990).

Another development in the 1940s was the start of public accounting in Ethiopia. This is traced to events when British accounting firms, like PriceWaterhouse Peat & Co., established branches in the Country. Kinfu (1990', p. 197) comments thus:

It is apparent that different types of accounting systems were, at this stage [i.e., 1940s], instituted in Ethiopia by the financing agencies and expert advisers [to the state-owned enterprises]. While many foreign experts from different countries played a role in introducing accounting into Ethiopian enterprises, the influence of Britain is particularly evident on the accounting side, especially in the books (...). Accounting and auditing advisory services were offered [to Ethiopian organizations] by British accounting firms, such as the Price Waterhouse and Peat etc., the first accounting firms to open a practice in Ethiopia. British influence penetrated the accounting practices of many client organizations as auditing and financial advisory services were provided by their foreign and indigenous counterparts and were to remain British-oriented even up to today.

Argaw (2000a) reinforces Kinfu's (1990) points regarding the development of accounting in the 1940s, in noting that:

The history of [modern] internal auditing [in Ethiopia] dates back to the 1940s just about the time the profession has also evolved in Europe and in the United States [of America]. The difference in the two situations is that, in Europe and the United States [of America], it was not so much of the commencement of the internal audit task within various institutions but the development of the real professionalization by the establishment of the Institute of Internal Auditors (IIA) in 1941.

As a consequence of the growth of demand for trained manpower in accounting and auditing up to the early-1940s, the Addis Ababa College of Commerce was established in 1943. The Colleges of Business were then established at Addis Ababa University in 1963 and Asmara University in 1969. These institutions have played essential role in the development of the accounting profession in Ethiopia by producing trained manpower (Argaw 2000a; Kinfu 1990).

Other significant developments in the history of accounting in Ethiopia took place in the 1960s. Firstly, the Commercial Code of Ethiopia was proclaimed in 1960 (Government of Ethiopia 1960). This Code contains accounting and external auditing provisions, which still serve as the legal basis for financial reporting and external audit of companies (Argaw 2000a; Kinfu 1970; Kinfu, Negash & Merissa 1981; World Bank 2007). The code contains some requirements for financial accounting, reporting, and external auditing of companies that operate in Ethiopia. A limitations that possibly constrained the code's contribution to the development of accounting and auditing in the nation include that it does *not*: (a) specify the accounting standards to be followed in financial reporting; (b) define the qualifications of an auditor; (c) require compliance with professional standards on auditing; or (d) impose an audit requirement upon private limited companies with less than 20 members (World Bank 2007). The second development was the formation of the Office of the Auditor General (OAG) in 1961 by Proclamation 199/1961 (Government of Ethiopia 1961). This proclamation accorded the OAG greater authority than was provided in the 1944 proclamation that established the Audit Commission (Argaw

2000a; Kinfu 1990). The proclamation has subsequently been revised three times, in 1979, 1987 and 1997 (Government of Ethiopian 1997). The 1997 version of the proclamation is the legal basis for external audit for government organizations in Ethiopia to date of writing.

The idea of the need to monitor and regulate the accounting profession in Ethiopia was felt as early as 1966 when the then Ministry of Commerce and Industry drafted a legislation to that end (Kinfu, Negash & Merissa 1981). The legislation proposed establishing public accountants' certification committee; suggested minimum required qualifications for certification; and provided for monitoring of public accounting practice. Kinfu, Negash and Merissa (1981) assert that the act was not enacted due to a lack of a sufficient number of well qualified Ethiopians to meet the requirement, the presence of some persons in accounting practice who did not meet the minimum requirement but received practicing licenses through practical experience, and the dominance of foreign public accounting firms and experts who arguably lack the motivation for a new system of certification because they were already members of foreign accountancy associations.

Kinfu, Negash and Merisa's (1981) assertions regarding the challenge of dealing with practitioners who appeared less qualified than the defined standard appears consistent with experiences of other countries, e.g., Kenya and Australia. The experience in Victoria, Australia (Chua & Poullaos 1993, 1998) and Kenya (Sian 2006, 2007) suggest that inclusionary usurpation rather than closure might assist the development of the profession at least at early stages. This inclusionary strategy helps to attain a critical mass of members at the early stage of development of the profession (Ramirez 2001; Sian 2006). Kinfu, Negash and Merisa's observation is also consistent with Uche's (2002) notion that dual membership to professional associations could lead to a conflict of interest and might complicate the struggle for jurisdiction. As dual membership creates a disadvantage of additional fees, members could tend to choose the accountancy body that is perceived as having an established reputation (Carnegie & Parker 1999). The challenges presented by the dominance of foreign qualified practitioners, be they locals or foreigners, in the development of indigenous professional associations were also experienced in Nigeria (Uche 2002; Wallace 1992).

Apart from this challenge, the absence of aspiring professional groups to take advantage of the 1966 government initiative and establish a professional accountancy body in Ethiopia is evident. Although the state plays a role in the development of accounting professions (Sian 2006; Uche 2002) it may be efforts of the professionals themselves that matters the most. Nevertheless, from both functionalist and interactionist perspectives, failure of the foregoing attempt to establish an indigenous professional accounting association should not come as a surprise. From the functionalist perspective, producing professionals with esoteric knowledge should precede the development of a regulated profession because the crux of professionalization rests on the product rather than in the process. Thus without controlling key professionalization activities, i.e., developing the knowledge base, and training, examining and certifying potential members, a professional body cannot remain on the cutting edge (Carnegie & Napier 1996; O'Regan 2001; Walker 2004).

From the interactionist perspective it is the professional body, in its endeavors to further its members' interests, that promotes and develops the profession. The concepts of exclusion and closure may not come into play unless the profession first forms a critical mass of members (Sian 2006). In the context of Ethiopia the aspiring professionals do not seem capable of achieving a critical mass in the 1960s. Furthermore, the 1966 draft legislation does not seem to have encouraged inclusionary strategies regarding non-qualified and part-qualified practitioners who were in public practice. The experience of Kenya shows that promoting inclusionary usurpation



at the beginning would have been a more constructive strategy than exclusion and closure. In addition, aspiring members need to define a body of knowledge that the professional association would own, control, and develop. Carnegie and Edwards (2001, p. 303) maintain that the development of such body of knowledge is one of the key 'signals of movement' towards formation of a viable professional body.

The developments in the legal, educational, and commercial climate in Ethiopia until the early 1970s appear to have created conducive environment for the development of the accounting profession in the country (Jones & Kinfu 1971). Consequently, an effort to establish indigenous professional accounting associations in Ethiopia occurred in 1973 that led to establishment of the Ethiopian Professional Association of Accountants and Auditors (EPAAA) (Argaw 2000a; Kinfu 1990; Kinfu, Negash & Merissa 1981). The EPAAA was aspiring to develop to a level where it would certify and license public accountants to practice in Ethiopia. Composition of membership to the association included mainly accounting and auditing practitioners. As of 1975 the association had 38 practicing members. Kinfu, Negash and Merissa (1981) assert that the EPAAA achieved minimal success because most of its members were expatriates who were already certified abroad. From the critical perspective, this may be interpreted as members lacking the motivation to abide by the newly proposed modes of exclusion and closure. Specifically, certified members who were qualified abroad possibly lacked the willingness to shift professional commitments to EPAAA and away from the international association that certified them. In the face of these challenges, the EPAAA issued two directives related to audit practice, namely, Board of Directors Directive No. 1 on special investigations, and No. 2 on bidding for audit contracts. Subsequent to nationalization of private companies that followed the change of government in 1974, the association issued Board of Directors Directive No.3 on financial accounting and reporting (Woldegiorgis 1992).

When we see the 1966 government initiative and the 1973 private initiative, we note that state and individual endeavors towards professionalization of accounting were sequential rather than simultaneous. The literature indicates that the state has been a central actor in accounting professionalization processes in Europe (Caramanis 2002; Ramirez 2001) whereas it was considered generally to be neutral in Anglo-American cases (Sian 2006). The sub-Saharan African experiences of Kenya (Sian 2006, 2007) and Nigeria (Uche 2002) suggest that governments make profound contributions to win the types of challenges observed in Ethiopia. Thus, the accounting professionalization endeavors in Ethiopia pre-1974 achieved little success arguably because professional and government initiatives were not synchronized. Nevertheless, this first phase (pre-1974) was the time when foundations for the development of accounting and auditing in subsequent periods as well.

## **1974 – 1991**

Following a revolution, a military government with a communist ideology took power in Ethiopia in 1974. Subsequently, private companies were nationalized and the number of state-owned enterprises in the country increased. As a result of these changes, international public accounting firms, i.e., PriceWaterhouse Peat & Co. and Mann Judd & Co., closed their Ethiopian branches (Kinfu 2005; Woldegiorgis 1992). Some writers (e.g., Argaw 2000a; Blake 1997; Kinfu 2005) agree that the development of accounting (in the Western sense of the term) appears to have been inhibited during this period. Nevertheless, formation of the Audit Service Corporation (ASC) (Government of Ethiopia 1977) to conduct external audit of public enterprises was an important landmark in the history of accounting and auditing in this period. Woldegiorgis (1992)

explains that this development was a result of the need to fill the gap created by the closure of international accounting firms. Furthermore, internal audit as a separate function appeared during this period (in 1987) when the Auditor General was mandated by Proclamation No. 13/1987 to monitor and regulate internal auditing in government offices and state-owned enterprises (Argaw 2000a). This proclamation also gave the auditor general the authority to issue minimum requirements for recruitment of internal auditors, provide training to internal auditors, and require reports on internal audit of government organizations. A survey of internal audit in Ethiopia in 1991 indicated that over 90 percent of state-owned companies and over 70 percent of government budgetary organizations in Ethiopia had internal audit units (Argaw 1997).

As this period is generally considered as a time when the development of accounting was directly or indirectly constrained (Blake 1997; Kinfu 2005), limited achievements were made in terms of development of professional associations as conceptualized in the context of the Western model. The EPAAA was inactive throughout this period (Blake 1997; Woldegiorgis 1992). The use of accounting as a useful tool in organizations also tended to be limited. As one of the executive committee members of the Institute of Internal Auditors (IIA) – Ethiopia commented:

During this period, private companies were nationalised. There were many public enterprises. There was no separation of technocrats and bureaucrats. Professionals could not succeed in their careers unless they were associated with the Workers Party of Ethiopia. Hence, professional standards were attenuated during this period.

Uche (2002 p. 478) indicates that military regimes could at times be used to the advantage of developing professions through clever lobbying:

Given the power of the State and the supreme powers usually conferred on military rulers, the dynamics in the relationship between the State and the profession in developing countries [...] are usually less systematic. Given the existence of few checks and balances in the system, any party that is able to influence the top military class may well be in a position to define the history of the entire profession. In other words, interest groups' lobbying for regulatory benefit is easier under such military governments mainly because legislative initiative during such periods is concentrated in a few individuals.

Despite the existence of a military government during this episode of the development of accounting in Ethiopia, aspiring accounting professional groups did not exploit the situation possibly for two reasons. First, the professions do not appear to have had actively lobbied those in power to exploit the situation. Second, the Ethiopian military government of the time, having a communist ideology, arguably did not appreciate the role of Western-styled accounting. For example, Annisette (1999; 2000) observed that state ideology could influence accounting professionalization. Also, in the former Soviet Union, Mikhail Gorbachev was considered a radical in the 1980s for proposing the use of Western cost-accounting as a part of his overall strategies of *glasnost* (openness) and *perestroika* (restructuring) (Gorbachev 1987). In a command economy, accounting serves as a central planning tool as compared to its accountability focus (in a shareholder-manager context) in Western corporate governance mechanisms (Hao 1999; Seal, Sucher & Zelenka 1996). The greater emphasis of the Ethiopian government on internal audit compared to external audit could be consistent with this notion of accounting's role in a planned economy. Arguably, Ethiopia's emphasis today (explained later) in internal audit built upon the foundations put in the communist years. Thus, in terms accounting professionalization, the communist period in Ethiopia cannot be regarded as a total negative. This is because, the shift to communism resulted in emphasizing the use of accounting technologies for internal decision making (e.g., emphasis on internal audit) and in government involvement in

the supply of external audit services through the ASC. Every historical period must be examined dialectically in terms of its thesis and anti-thesis. As Marx wrote:

Men [*sic*] make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past. The tradition of all the dead generations weighs like a nightmare on the brain of the living (Karl Marx, *The Eighteenth Brumaire of Louis Bonaparte*, 1852 (Marx 1994).

Therefore, although there seems to be a general consensus that the change of political ideology to communism in 1974 constrained the development of accounting professionalization in Ethiopia (Argaw 1997; Blake 1997), we argue that it was much of a change in emphasis and structure of the market for accounting labor rather than inhibition of the development of accounting. The formation of the ASC has enabled the government to provide accountancy labor to the public enterprise sector, which remains to date in Ethiopia the largest sector in terms of economic activity (World Bank 2007). This state supply of external audit might reduce the state's demand for accounting labor and thus yield little motivation for it support accounting associations' exclusionary closure moves. As Hao (1999) and Seal, Sucher and Zelenka (1996) argue, in a centrally planned economy, accounting is a technical tool that assists the central planning process. These scholars illustrate that when such an economy transforms to a more liberalized one, the concept of accounting professional service as conceptualized in the Western context becomes evident.

## **Post 1991**

Post 1991 was a period when Ethiopia shifted back to a free-market economic system after being structured as a command economy for seventeen years. This shift led to a number of public enterprises being privatized. The resulting new corporate governance structure in the private sector would be expected to enhance the importance of financial reporting and external auditing (Seal, Sucher & Zelenka 1996). Change of government and the type of government tend to be important influences on the development of the accounting profession. The contribution of government in the development of accounting in other sub-Saharan African countries, i.e., Nigeria (Uche 2002) and Kenya (Sian 2006) epitomize such influences. Consistent with this notion, there has arguably been some government interest in Ethiopia to enhance accounting and auditing in the Country during this period.

The free-market system has been considered as one of the signals of hope for a better future for the accounting profession (Argaw 2000a). Matching this expectation, the Ethiopian government has been undertaking financial reforms in the areas of financial reporting and internal audit in the public sector (Peterson 2001). As part of its economic policy reforms, the government has been working to improve the financial infrastructure of the country and to encourage private investment via enhanced platform for risk assessment and reduced corporate failure. Under this framework, a World Bank and IMF joint initiative study—Reports on Observance of Standards and Codes (ROSC)—was conducted in 2007. The report focused on financial reporting and external audit in Ethiopia (World Bank 2007). The Ethiopian government has also been providing increased support to the development of internal audit since 1994 (Teklegiorgis 2000). In 1994, the Prime Minister set up a task force that forwarded recommendations to improve internal audit in government offices. Consequently, the Ministry of

Finance and Economic Development (MoFED) has been mandated to develop an internal audit manual for use in all government organizations (Federal Government of Ethiopia 1996).

Furthermore, the EPAAA has been re-activated and three other professional associations, i.e., the Ethiopian Association of Finance and Accounting (EAFA), Institute of Internal Auditors (IIA)-Ethiopia and the Accounting Society of Ethiopia (ASE) have been established. Furthermore public sector financial reforms of Ethiopia have been ongoing since the early-1990s (Peterson 2001) with implications for accounting and auditing (discussed in later subsections). There has also been state interaction with Western financial institutions like the World Bank and IMF that could be exploited to the advantage of the profession.

### ***Re-activation of EPAAA***

Post-1991, EPAAA has gained a more active status than in prior periods. At time of writing, the association had authorized auditor, authorized accountant and non-practicing members. Authorized auditors are those having practicing certificates as a chartered or certified accountant and active memberships with recognized international accounting bodies. Membership as a practicing auditor also requires auditing experience. Auditors were mostly members of the UK based Association of Chartered Certified Accountants (ACCA) (World Bank 2007) and some were members of the American Institute of Certified Public Accountants (AICPA). Membership to the EPAAA is not mandatory to obtain practicing license in Ethiopia. Authorized accountants were those who provide accounting services through independent accounting firms. Membership as an authorized accountant requires university/college accounting education plus practical experience in the field. Office of the Federal Auditor General provides licenses to applicants who meet the practicing requirements. Members in the third category are those who meet the membership criteria but did not choose to obtain a license and engage in public practice.

Interview with one of the executive committee members of the EPAAA indicates several points that clarify the association's current status. As at November 2008, the association had 123 active members. This signifies arguably a slow development when compared with 38 members in 1975 (Kinfu, Negash & Merissa 1981). Also, one of the reasons for this increase in membership appears that OFAG recently put a requirement that an applicant possess membership of any indigenous professional accountancy associations in order to obtain a practicing license.

Following launch of the ACCA-Ethiopia branch, the ACCA and the EPAAA made arrangements such that members of the former obtain automatic membership to the latter. Students and members of ACCA in Ethiopia are also members of the EPAAA, under this arrangement. In this connection, the ACCA provides funding to EPAAA based on the number of ACCA students in Ethiopia and the two associations' emblems are affixed to the ID cards of the ACCA students. The two associations also had a plan to launch a joint examination scheme such that the ACCA would include Ethiopian variants of its taxation and commercial law papers on condition that relevant materials would be developed on Ethiopia for these papers. Under that scheme EPAAA was supposed to actively participate in the process. The participant believes that the possible contribution of this arrangement to the development of EPAAA has not been exploited because of EPAAA's limitations. Such an arrangement, however, is also found to have a constraining effect on indigenizing the profession in Trinidad and Tobago (Annisette 2000). Also the financial dependence with the ACCA could put the EPAAA in a position where it could not vociferously promote issues of indigenization without its role being circumscribed.

The interview also suggests that like the pre-1991 period, the challenge still remains that members' commitment to EPAAA has been limited. Members voluntarily maintain membership and pay fees out of interest to assist the development of the profession in Ethiopia. Consequently, not all members demonstrate high level of commitment to the association. EPAAA membership does not provide exclusive benefit to members because there is no requirement for practitioners to be members of this association. For auditors, international association membership is generally sufficient and EPAAA membership is not a mandatory requirement to obtain practicing license in Ethiopia. The participant from EPAAA commented:

Practicing members regularly pay their fees and meet all the requirements of their international associations, which provide them with exclusive benefit. But, understandably, that is not the case when we consider their commitment with EPAAA.

Also, the speech by former president of the EPAAA at an IFAC conference (Mengesha 2006) suggests that the association did not perform brilliantly in this post-1991 period as well. The speech as well as the interview with the participant from the association indicate that there were some factors that restricted the development of the association and thus of accounting in the country. The first is that the profession is not properly regulated. Although OFAG provides practicing licenses, there is no authorized professional accounting body to monitor the practice. The EPAAA does not have the legal backing that would enable it to monitor and regulate the profession; this made the association to be considered as 'a voluntary club' rather than a strong professional association (World Bank 2007). It is not a member of IFAC which requires having a large membership base, providing certification, having a code of ethics and professional conduct, provision of CPD to members, undertaking monitoring and regulation, and having local recognition. These prerequisites cannot be achieved unless the association has a monopoly on the Ethiopian market. Sucher and Zelenka (1996) argue that professionalization of a service could be achieved if a professional service is standardized through codification of the cognitive base where the professions could train and certify their members to enable the latter to provide the services. It is argued that the EPAAA could not achieve professional monopoly largely due to its inability to define, develop and control its cognitive base to provide certifications.

Apparently, limitation of the association's leadership is another factor; for instance, the EPAAA board had forums for consultation with key government officials but this initiative has not continued. Moreover, the tendering requirement for auditors to secure clients tends to have caused price competition (Lemessa 1996) which arguably put auditors in competitive rather than cooperative positions. In response to the problems of price competition, OFAG assessed the audit firms and graded them as A, B, C, with A being the highest grade and C the lowest. However, somewhat understandably, this was not well received by most of the practitioners. In their view, insofar as practitioners possessed practicing certificates from recognized bodies, such a grading was not meaningful and should have been left to the market. The grading was also not regularly updated, which tended to worsen the problem.

Furthermore, as public enterprises undertake the largest proportion of the nation's economic activity (World Bank 2007), it could be argued that the private sector did not develop at a rapid pace in Ethiopia. As Marx observed, in each mode of production there always remain residues of the previous mode of production. Modern Ethiopia seems to exhibit a mix of capitalist and communist aspects with the public-sector having gone through Gorbachev-style reforms throwing an additional ingredient into the mix. This could be one explanation of the apparently less well developed external audit market in the country to date. In addition, the state as a supplier of accounting labor to the public enterprise sector reduces societal expectations from a

self-regulated public accounting profession. Although the authority to sign audit reports is reserved for certified/chartered accountants, these professionals are equipped with imported expertise (mainly from the UK). This situation appears to limit the impetus of aspiring indigenous professional associations to produce locally trained experts.

In addition, unlike the case in other countries, for example Nigeria (Uche 2002), Kenya (Sian 2006), and China (Hao 1999), there have been little state measures taken to promote indigenous qualifications and to protect indigenous knowhow from imported competition. Instead, like the case in Trinidad and Tobago (Annisette 2000), imported expertise tends to be encouraged. The experience of other developing countries suggests that surrendering the control of examination (a key certification activity) to foreign accountancy bodies (Annisette 1999; Briston & Kedslied 1997) could make indigenization of the profession exigent in Ethiopia. Due to the lack of control on the knowledge base and exercise of certification, the nascent indigenous associations could be obliged to accede to the wishes of the international associations that export accountancy expertise to Ethiopia. Finally, there seems to be a decoupling between the knowledge base employed by the accounting practice and the one taught in universities and colleges in Ethiopia. Accounting practice is largely UK oriented because of the contribution of British experts in the introduction of accounting in the country (Frank 1979; Kinfu 1990) and arguably due to the dominance of Ethiopian accountants with UK certifications (World Bank 2007). Because Ethiopia has never been a colony, nevertheless, this British orientation of the practice has come about in a piece meal as outlined in section three. On the other hand, perhaps because the start of business education in Ethiopia is traced to the assistance of American experts (Kinfu 1990), USA text books (and thus accounting standards) are employed in accounting education. This decoupling tends to limit the aspiring professional associations' ease of attempting to develop and control the knowledge base as a step forward to the provision of certifications.

### ***Ethiopian Association of Finance and Accounting (EAFA)***

Another notable attempt to establish an indigenous accounting body was the formation of Ethiopian Accounting and Finance Association in 1994, with a broader planned membership base than that of EPAAA. As the experience of the British accounting profession indicates, restricting membership to a few qualified individuals leads to competing associations being formed (Walker & Shackleton 1995; Willmott 1986). However, EAFA has not been highly visible except in its early years; as a result, issues linked with inter-association competition cannot be explored. Due to the broad membership, the threat of membership shortage may not have applied to EAFA. However, similar to EPAAA, membership to this association did not offer exclusive benefits to members since it had neither the capacity to administer certification exams nor the authority to regulate the profession. Former members whom the first-mentioned author contacted noted that the association had been active during the term of office of the first executive committee members. A member stated, 'since the change of leadership, the EAFA did little meaningful activity in the country'. The body's weakness and transitory nature can be seen by its inability to effectively transfer power among successive generations.

### ***Institute of Internal Auditors (IIA)–Ethiopia***

The Government of Ethiopia has emphasized internal auditing in the Country post 1991(Mihret, Mula & James 2009) as well. As the content of a speech by vice minister of

Finance and Economic development (Teklegiorgis 2000', p. 9) illustrates, the Ethiopian Prime Minister established in 1994 a taskforce to propose recommendations to upgrade internal audit in government offices. Based on recommendations of the taskforce, legal backing was granted to internal audit by issuing the Councils of Ministers Financial Administration Regulation (CMFAR) (Federal Government of Ethiopia 1996), which provides the Ministry of Finance and Economic Development (MoFED) with the responsibility to monitor and regulate internal audit in the public sector and to develop an internal audit manual for use by all internal audit departments of public bodies. CMFAR also puts the responsibility on the heads of the public bodies to ensure that internal audit is appropriately staffed and functions well. This proclamation also led to the establishment of internal audit departments in almost all public bodies (MoFED 2004). For nearly the last decade and half, the Ethiopian government has been providing support for the development of internal auditing not only by strengthening internal audit in government offices but also by supporting the development of the profession in the Nation. Government support to the IIA-Ethiopia Institute—learned from an interview with one of the institute's executive committee members—is an illustration of this support.

The IIA-Ethiopia Institute was established in 1996 as a chapter of the Global IIA (Argaw 2000b', p. 5). Its formation was a result of the personal initiatives of some professionals who were engaged in accounting/audit practice and academics. Prior to the formation of the IIA Chapter, Woldegiorgis (1992) completed a masters degree at City University of London with a masters thesis on 'Training and Education of Internal Auditors in Ethiopia'. One of Woldegiorgis's recommended courses of action for the development of internal audit in Ethiopia has been establishment of an IIA chapter in the country (Woldegiorgis 1992). In 1996 the chapter was established by a group of individuals including Woldegiorgis. A founding as well as an executive committee member of the institute commented:

We talked to the Auditor General, whose office was given the responsibility to monitor internal audit in government organizations. We also organised other people including academics. A minimum of 17 members was required to establish a chapter. In 1996, we applied to the IIA-Global for establishment of the Chapter by meeting all the criteria. Then, as the chapter had to obtain legal personality to operate in Ethiopia, we had to translate the charter to Amharic [Country's official language]. Then we secured the legal personality and started operating in 1996.

The discussion with the participant also indicates several points about the Institute. The Institute has been a Chapter and it developed into an institute in January 2008. As of November 2008 it had 492 members and more than 15 institutional members. Through IIA-Ethiopia, the IIA-global allowed Ethiopian members to sit certification exams with reduced fees. Through its exam centre, IIA-Ethiopia achieved 24 certified members as of October 2008; it also organizes conferences in the Country and facilitates members' attendance of international conferences of the IIA-Global. The member commented that IIA-Ethiopia is one of the few active African Chapters (another being the South-African Chapter) that regularly participated in the global IIA-conferences. By promoting institutional membership and encouraging institutional members to finance their internal auditors' attendance of IIA-Global conferences, the Ethiopian Institute was able to assist its members' to tap into IIA-Global.

Overall, the institute tends to be active and growing at a reasonably rapid pace. Nevertheless, exercising exclusion and closure remain to be a challenge to the Global IIA as well. O'Regan (2001) explains that internal audit is still under process of professionalization at a global level because it did not exercised professional monopoly as yet. It has not yet established itself as

a clear sub-set of the accounting profession in the manner of the tax consultants, management consultants, and liquidators. Instead it is still largely perceived as the lesser known little brother of external auditing. Despite this global challenge, the emphasis of the Ethiopian governments on internal audit could suggest that government involvement in economic activity via state-owned enterprises could lead to emphasis on internal control and efficiency enhancement mechanisms.

### ***Accounting Society of Ethiopia (ASE)***

Yet another development in the current (post-1991) episode of accounting professionalization is the formation of Accounting Society of Ethiopia (ASE) in 2004. ASE appears visible among the academic community because the executive committee members were mostly from Addis Ababa University. The Association aims for a broad-based membership that accepts accounting practitioners, academics, and students as members. The Association's President believes that the association is on the right track towards achieving its objectives. In the words of the president:

The Association has brought about some attitude change by starting to demonstrate the possibility of an active indigenous professional association. We have finalized the preparation to open branches in 4 regional towns in collaboration with regional university lecturers. This will help broaden our membership base. ASE is administering accreditation examinations of Grade 10<sup>+</sup> accounting graduates of the Technical and Vocational Education and Training under the Federal Ministry of Education.

The President believes that awareness in the business community has been raised and that this situation has helped the Association create a positive impression on members, potential members and the business community about the accounting profession. Nevertheless, there were some factors that have been constraining the success of the Association. First, there were major financial constraints to conduct its activities; the association has been trying to alleviate this problem by following viable fund raising strategies. It has started publication of books which enabled it to generate income via sales and company sponsorships of these publications. The publications were also aimed to serve as part of the effort towards developing the knowledge base for conducting certification exams in the future. The Association's involvement in administering accreditation examinations to accounting graduates of technical and vocational schools under the Ethiopian Federal Ministry of Education also helped it generate income as well as gain recognition. Secondly, absence of exclusive member benefits tended to constrain member commitment. As the participant indicated, 'members receive just recommendation letters in support of applications for promotions, jobs, or licensing as authorized auditors and accountants'. Thus, most of the challenges of similar associations in Ethiopia are also relevant to ASE.

### ***Summary of post-1991 period***

It appears that the post-1991 period brought about some favourable conditions for the development of accounting and auditing in the country that could be exploited by aspiring professional groups. As the participant from IIA-Ethiopia commented:

There are some developments that could be considered as a suitable environment for the development of the profession. But, at the same time "the tone at the top" is what matters the most. There needs to be a government commitment to provide professional associations with the legal authority to monitor, regulate, and grow the profession.



This comment implies that there is a need for clever lobbying efforts by aspiring professional associations to garner state support. This seems an important step because state support is one antecedent to professionalism (Birkett & Evans 2005). To date of writing, no indigenous professional accountancy association was empowered by legislation to set standards or to monitor and regulate the accounting profession. The EPAAA has not developed to a level where it could offer certification examinations. Thirty-five years of its existence could be considered long enough to develop this capacity in view of the experience of other professional associations like the Institute of Certified Accountants in Nigeria which started to administer certification examinations in six years after establishment (Uche 2002). In the absence of a strong professional accountancy body, the Office of the Auditor General has been monitoring the profession as well as licensing practicing accountants and auditors. The government was providing the services that the private-sector profession provides in developed Western countries. As indigenous professional associations in the country are yet to develop the capacity to administer professional certification exams, foreign qualified Ethiopian accountants are hitherto serving as a fallback.

## **RECENT DEVELOPMENTS AND OUTLOOK**

There has been ongoing public sector financial reform in Ethiopia since the early-1990s that has been undertaken with the support of Western consultants and Western funding agencies (Peterson 2001). Particularly concerning the accountancy profession, World Bank and International Monetary Fund undertook a study that resulted in Reports on Observance of Standards and Codes (ROSC). ROSC recommended, among others recommendations, establishing a National Board of Accountants and Auditors, under which professional associations would be established. As has been the case in Greece (Caramanis 2002), the dynamics of the state, such global agents, and the professions could create impetus for the development of the profession.

Earlier than the ROSC study, there was a Ministry of Trade and Industry initiative which led to a road map for the development of accounting standards in Ethiopia. This was done by the ACCA as a consultant and with the involvement of other stakeholders in the Country. Also, the Ethiopian Civil Service College had an initiative to establish an institute for certification of accountants in the public sector. At the time of writing, all these initiatives have been coordinated and a national steering committee has been established towards establishing national financial reporting standards and a national board of accountants and auditors. The stakeholders of all the initiatives participate as members of the national steering committee.

The climate may be considered suitable for the existing professional associations to come together (perhaps by way of merger), review their strategies, and exploit the opportunities to evolve into a national accountancy body that would have greater power to obtain state support to regulate and monitor the profession. Such a strategy of transformation has contributed positively to the development of the accounting profession in Nigeria (Uche 2002). Creating a cooperative atmosphere among the associations does not appear complicated because, unlike the cases in Nigeria (Uche 2002) and Kenya (Sian 2006), there has been little competition among the professional associations in Ethiopia. This is perhaps mainly because none of these associations were granted statutory authority of monopoly to monitor and regulate the profession. In addition, the associations have slightly different orientations in that the EPAAA has been predominantly

focused on public practice whereas the rest have not clearly advocated public practice as a primary goal.

Considering a merger between some of the existing professional accounting associations could help develop greater influence in lobbying and enhanced capacity to develop and control the knowledge base. This will help integrate the separate strands of effort to develop a viable accountancy association and to gather momentum for development. Developing the capacity to train and produce indigenous qualified members may appear quite overwhelming, yet it is not insurmountable. Institute of Certified Accountants in Nigeria (ICAN) overcame such a challenge, inter alia, through collaborations with higher education institutions. Would-be members of ICAN were attached to universities to study the theoretical parts of the ICAN syllabus, an arrangement which enabled ICAN to concentrate on the professional parts of the syllabus (Uche 2002). However, in the case of Ethiopia, the professional associations should, in our opinion, first work closely to resolve the issue of the difference between orientation in accounting education and accounting practice. As this appears to be a critical step in any attempt to develop the profile of accounting practice in the Ethiopia, it seems an urgent need for the future.

## **CONCLUDING REMARKS**

The paper has examined the process of accounting professionalization in Ethiopia during three epochs of the country's politico-economic developments. Modern accounting in Ethiopia has been practiced in different forms since the early 20<sup>th</sup> century. Government regulations and proclamations since the 1920s have contributed to the development of accounting in the Country. The development of accounting (as conceived of in the Western context) from 1900s to 1974 appears to have been continuous; while it was at best in a relatively state of ossification from 1974 through to 1991. It is apparent that the change of government and state ideologies served as important junctures that marked the essence of accounting professionalization process in Ethiopia. Government attempts to establish internal audit within the context of a communist system were partially successful. The apparent government emphasis on internal audit relative to external audit in Ethiopia today has its roots in these communist-era developments. We can see here the classic Marxian dialectic of thesis-antithesis-synthesis in action: The modern-day synthesis captures aspects of both the pre-1974 Western-styled accounting and the 1974-1991 communist-era preoccupation with more effective internal auditing. In terms of accounting development in the Ethiopia therefore the communist-era cannot be viewed as a total negative. Post-1991, government support for the development of accounting and auditing has been evident but has not resulted in the institutionalization of accounting legislation.

The paper also indicates that attempts to establish strong local professional accountancy bodies that could exercise professional monopoly achieved little success. This remains the case despite some attempts by accounting professionals and the state for several reasons. Firstly, there has been no legislation to enable aspiring professional associations to regulate the profession. Accounting professions develop where the associations gain the support of states while, at the same time, the professions maintain some autonomy to monitor and regulate the profession (Yapa 1999). This appears to be lacking in the context of Ethiopia perhaps because the profession did not cleverly lobby the state apparatus to institute legislation. Another explanation could be the structure of the economy. Similar to Yapa's (1999) observation in the Bruneian context, there is a prevalence of small and medium enterprises in Ethiopia that could have led to a less developed external audit market. Also, there is no external audit requirement on most medium private companies in Ethiopia. Furthermore, public enterprises undertake a large proportion of economic

activities in the country; thus, it could be said that the country still exhibits a mix of communist and capitalist aspects. The state also supplies external audit services to the public enterprises via a state-owned Audit Service Corporation. These situations create little social expectation regarding the services of the accounting profession as compared to that in the ultra-capitalist Western countries. This tends to make the market for external audit services rather thin, which is exhibited by the high level of competition among audit firms in the private sector (Lemessa 1996).

Secondly, the existing indigenous professional associations are not strong enough to define, own, and control a cognitive base that could enable the exercise of closure. The EPAAA's attempt to close off was also without success. This provides additional evidence to Carnegie and Edwards (Carnegie & Edwards 2001, p. 303) who argue that there are "signals of movement" of a profession both pre and post formation of a professional association that help materialize the closure moves. The lack of control of a body of knowledge by the EPAAA suggests that a key signal was missing at the time of association formation and it continues to be missing to date of this writing. Therefore, as in Brunei (Yapa 1999), no association has sufficient legal basis to provide certification examinations that would serve as a prerequisite for licensing of practitioners. The state's and professionals' endeavors to establish a strong local professional association could be characterized as unilateral and sequential instead of coordinated and simultaneous.

State-professional association dynamics exhibited different forms in all the three periods in which Ethiopia had alternating state ideologies. The moves in the direction of accounting professionalization in the Western conceptualization are evident in the capitalist oriented state ideology of pre-1974 and post-1991. Whereas, emphasis on internal audit and involvement of the state in the supply of external audit services to state-owned enterprises began in the communist era. Nevertheless, in none of the three periods have the professionalisation processes produced adequate impetus to establish a viable indigenous professional accounting association. As a result, the professionalization process has been ongoing during the three periods with varying pace in the face of challenges of competition from imported accountancy expertise that served as a fallback.

There have been ongoing public sector financial reforms in Ethiopia since the early-1990s that have been undertaken with the support of Western consultants and Western funding agencies. This could be exploited by existing professional accounting associations by forming some sort of cooperation and developing the capacity to produce qualified members. Despite the apparent tendency of interest to enhance accounting and auditing infrastructure in the country post-1991, the state controls most of the accounting regulation. This is illustrated by the role of government bodies undertaking such activities instead of passing over to professional associations by strengthening the latter. Given the limited capacity of the professional associations, nevertheless, government monitoring appears apposite (Wallace 1999) and possibly continues as the only viable option in the short term. In the authors' view, the different nascent indigenous associations need to work closely and exert lobbying efforts to attain a shift from the existing state regulation to self-regulation.

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